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Report Highlights:

With a banner grain harvest of 285 MMT across the EU-25, domestic grain supplies are considerably higher than domestic feed and food requirements. This has led to depressed prices on the EU market. However, with the Euro rising against the US Dollar, the export outlook for EU grains is not spectacular, particularly with the European Commission having only granted export subsidies for barley so far during MY 04/05. While EU imports for all grains are expected to be limited, there remains a good market for traditional high protein wheat imports from North America.

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Introduction

This report presents the grains outlook for Marketing Year (MY) 2004/05 for the European Union. On May 1, 2004, ten New Member States (NMS) joined the EU, namely, the Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. This report gives Production Supply and Demand (PSD) estimates for the EU-25.

Please note that all data provided in this report is based on the opinion of FAS analysts based in the EU and is not official FAS data.

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Note: Data in this report is not official USDA data.

HA = Hectares

MT = Metric ton

MY = Marketing Year. The EU local marketing years used in this report are July/June, except for Corn which follows October/September.

Executive Summary

With a banner grain harvest of 285 MMT across the EU-25, domestic grain supplies are considerably higher than domestic feed and food requirements. This has led to depressed prices on the EU market. However, with the Euro rising against the US Dollar, the export outlook for EU grains is not spectacular, particularly with the European Commission having only granted export subsidies for barley so far during MY 04/05.

Wheat production of 136.6 MMT will see higher feed use of wheat, rising 7 MMT to 54.7 MMT. With exports set at 15.7 MMT, based on a weak dollar and no or only limited use of export subsidies by the European Commission, wheat stocks are forecast to double during MY 04/05 from 11.1 MMT to 22.2 MMT, with significant quantities ending up in EU intervention stores. Should the European Commission decide to aggressively use export subsidies for wheat, or if the Euro reverses the trend of appreciating against the US Dollar, coupled with solid demand from key North African and Middle Eastern markets then the export figure would rise at the expense of stocks.

Despite a barley crop rising by 8 MMT to 62.1 MMT in MY 04/05, barley feed use is expected to decline by 2.5 MMT to 37.7 MMT due to the widespread availability of cheaply priced feed wheat. If only a very mediocre export figure of 2.4 MMT is realised, then barley stocks will also rise significantly from 5.3 MMT to 12.2 MMT.

Corn production also rebounded by almost 12 MMT to 52.2 MMT in MY 04/05, leading to a decline in EU corn imports to just 2.6 MMT and nearly 5 MMT additional corn being used as feed to give total feed use at 40.4 MMT.

Rye production has stabilised at a fraction under 10 MMT. The removal of rye from the list of grains that can be offered to EU intervention had already reduced rye production in Germany. However, Germany and Poland, the two key rye producing areas in the EU, farmers have only limited options to move away from planting rye.

Mixed grain output, including triticale, rose from 11.7 MMT in MY 03/04 to 15.7 MMT in MY 04/05. Used almost exclusively as feed, mixed grain provides an important component of EU feed grain demand.

Wheat

PSD Table EU-25, Wheat

Country Commodity	EU-25 Wheat				(1000 HA)(1000 MT)	
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin	07/2002		07/2003		07/2004	
Area Harvested	23080	23076	21898	21922	23246	23259
Beginning Stocks	15373	15562	16116	16262	11718	11085
Production	124270	124292	106715	106962	127088	136606
TOTAL Mkt. Yr. Imports	10719	12,950	6899	6275	4640	5192
Jul-Jun Imports	10719	12,950	6899	6275	4640	5192
Jul-Jun Import U.S.	1330	1,335	2567	2256	1316	1736
TOTAL SUPPLY	150362	152804	129730	129499	143446	152883
TOTAL Mkt. Yr. Exports	18658	19965	9069	11030	14175	15686
Jul-Jun Exports	18658	19,965	9069	11030	14175	15686
Feed Dom. Consumption	54999	55843	49323	47520	52122	54717
TOTAL Dom. Consumption	115588	116577	108943	107384	112545	114968
Ending Stocks	16116	16262	11718	11085	16726	22229
TOTAL DISTRIBUTION	150362	152804	129730	129499	143446	152883

Note: All values in 1000 MT, except Area Harvested row in 1000 HA.

Source: FAS EU Posts, not official FAS data.

Production

Favorable conditions in much of the EU, as well as a reduced set-aside requirement during MY 04/05 helped to give a total EU-25 wheat production of 136.6 MMT, almost 30 MMT higher than the previous year's drought reduced harvest. There were record yields in Germany, Belgium and the Netherlands, as well as good yields in Poland and France.

In the UK, a large harvest of 15.7 MMT was recorded, though while the first half of the crop, generally in the south of England was of average quality, the second half of the harvest, particularly in the north was of poor quality, creating a large surplus of feed wheat, especially as most of it is not of interventionable quality.

The French durum crop was both large and of good quality. The soft wheat crop is reported to be of good, if unexceptional quality (certainly compared to last year). However, around one third of the soft wheat crop, mostly in northern France was affected by the late summer rains, reducing its quality. It is noted that there is increased interest in planting higher quality wheat varieties in France, so over time quality is expected to rise.

A very preliminary outlook for the 2005 wheat crop is good for France, as well as very good in Germany. In Germany wheat area for 2005 is forecast to increase by 3% to 3.2 m ha. at the expense of rye, triticale and barley. In addition, farmers have been planting an increasing share of high quality wheat varieties, reducing the portion of feed wheat and regular baking varieties.

Italy had a record durum wheat crop in of 5.7 MMT, due to very good climatic conditions, however, the protein content is reported as being not so good. Some durum wheat may even end up as animal feed.

The 2003 CAP Reform enters into force on January 1, 2005 in Italy¹. The Italian government has opted to fully decouple income support payments for arable crops. This could lead to reduced plantings for durum wheat – the most extreme estimates have been of up to 25% to 30%. However, the production reduction is expected to be much less – in the order of 5% to 10% as most of the reduction is likely to occur in southern Italy where yields are very low. Just as production is set to decline in Italy, experiments to grow durum wheat in Poland on 50 hectares are reported to have shown some success this year.

In Germany, how the government frames the cross-compliance regulations² will determine whether low yield arable areas will be switched to voluntary set-aside.

Wheat Production

1000 MT	04/05
France	39502
Germany	25347
United Kingdom	15706
Italy	8772
Spain	7250
Netherlands	1249
Austria	1633
Belgium-Luxembourg	1998
Denmark	4900
Finland	800
Greece	1700
Ireland	1043
Portugal	247
Sweden	2300
EU15 Total	112,447
Cyprus	10
Czech R.	5077
Estonia	150
Hungary	5800
Latvia	500
Lithuania	1150
Malta	10
Poland	9520
Slovakia	1800
Slovenia	142
NMS 10 total	24,159
EU-25 Total	136,606

Source: FAS EU Posts.

¹ See GAIN report E34044, 'Deconstructing Decoupling' for more details on how the CAP Reform will be implemented in different Member States. <http://www.fas.usda.gov/gainfiles/200408/146107107.pdf>

² The new farm payments under the CAP do not oblige farmers to produce; however, they must meet certain minimum standards defined as cross-compliance rules, including maintaining the land in 'good agricultural order'. If the rules are written in such a way that farmers would have to undertake some form of work on the fields, it may be more cost effective for them to plant them at the same time.

Consumption

With abundant domestic availability of low priced wheat, feed use of wheat is expected to return towards levels seen in 2002/03, when high levels of imports of feed wheat from Russia and the Ukraine as well as a good EU harvest led to a domestic supply of wheat similar to MY 04/05. Feed consumption of wheat is forecast at 54.7 MT for the EU-25 in MY 04/05, compared to 47.5 MMT in MY 03/04 and 55.8 MMT in MY 02/03.

The relatively low price of wheat is driving increased feed consumption of wheat. In the Benelux, pig and poultry feed rations are now reported to be using 60 percent grain. The wheat use is 30 percent in pig feed and 25 percent in poultry feed, which is above the average of about 20 percent but is still below the technical limit of about 35 percent for both pig and poultry feeds. With some protein already present in wheat, and rapeseed available in Europe, some soybean meal as well as non grain feed ingredients (NGFI) such as tapioca, are being replaced by grain.

In MY 04/05, German compound feed purchases from the livestock sector is expected to decline by up to 1.0 MMT due to higher levels of on farm grain feeding, particularly as the last 20% of the German wheat harvest was bought in late due to rain damage. This wheat is often not of interventionable quality and so is likely to be used on farm (or at nearby farms), leading to an additional 1.5 MMT of wheat feed use in Germany in MY 04/05.

Feed Seed and industrial (FSI) consumption of wheat is reported to be stable, with starch production static to possibly rising by 3% across the EU this year. A small increase in German starch production is also expected, though it is not yet clear whether wheat or rye will be the input.

There is considerable interest in ethanol production (typically using grains – wheat, barley and rye - as the feedstock) in the EU due to the EU's policy of promoting the use of renewable energy sources. (See GAIN Report GM4048, [Biofuels in Germany](#) – Prospects and Limitations, or [E23040](#) for more details on the EU's Biofuels Promotion Regulation). As part of these measures, Member States can lower fuel excise duties to create incentives for, amongst others, biodiesel (typically from rapeseed oil) and bioethanol production. In France, there are plans for four new bio-ethanol plants to be built in the next three to four years. A new bioethanol plant has opened in Germany, with a further two due to open in the spring of 2005. These plants will require 1.5 to 1.8 MMT of grain feedstock likely to be wheat, barley and rye. For MY 04/05, 600,000 MT has been added to German FSI consumption. A fourth plant may also eventually be built.

The ethanol plants will also produce distillers grain as a by-product, which may lead to either a reduction in import demand for distillers grains or replace other feed types on the domestic market. It is also possible that the ethanol plants could eventually add drying facilities, which could add markets further a field for the dried distillers grain.

However, it is not known for how many years governments will continue to offer tax incentives for bio-fuel production, particularly if significant imports of ethanol etc. develop. The EU is currently negotiating a free trade agreement with Mercosur (Brazil, Argentina, Uruguay and Paraguay). The Commission has already offered a TRQ for 1 million litres of ethanol (from sugar cane). The negotiations are on going and should agreement be reached the agriculture section of the deal is likely to be phased in over several years.

There is currently one ethanol plant in Poland, using rye and potatoes as feedstock. There is interest in further expansion, probably of rapeseed biodiesel, however, the government has yet to complete its biofuels legislation.

Trade

The substantial crop in Germany has reduced import requirements, reducing intra-EU trade, though UK surpluses of non-interventionable grain may be shipped for feed use to northern Germany in the new year once feed millers have used up post harvest stocks.

Italian durum wheat imports will likely decline, though not by as much as a record durum crop would suggest due to quality issues. Import requirements are expected to be around 1.2 MMT, as some high protein content hard wheat is still required, of which 800,000 is expected to be sourced from Canada. Italian pasta exports appear to be recovering after last years decline, as well as exports to the New Member States (NMS) taking off, with several pasta plants now specializing in this market.

Polish import requirements are set at around 200,000 MT for MY 04/05. Typically, around 100,000 to 120,000 MT high quality wheat were imported, though increasingly, gluten is added to flour, reducing durum import requirements to perhaps 40,000 to 60,000 MT.

Extra-EU wheat exports are expected to rise, with current USEU estimates at 15.68 MMT for MY 04/05. This figure is based on continued strength of the Euro against the US Dollar, as well as only limited export refunds being made available by the European Commission. The Commission's export subsidy policy for the remainder of MY 04/05 remains a wild card. The key period for EU exports could be the first couple of months of 2005. Without assistance from export subsidies during this period, given the strong Euro and EU intervention prices which act as a floor to EU prices, then wheat and wheat product exports are unlikely to rise to anywhere near the levels seen in MY 02/03 of 20 MMT.

Flour exports are expected to recover after a difficult year last year due to the high price of European wheat and the absence of export subsidies. So far in MY 04/05, flour exports are reported to be progressing at an acceptable pace, with some of the African markets lost last year being recaptured. However, the key period for the millers will be the first couple of months of 2005, with no export subsidy assistance currently available, they may face difficult competition in some third country markets. Once South American harvests come on line, particularly from Argentina, they are likely to see the pace of exports declining.

France saw a large crop of durum wheat of good quality and the trade is reported to be hoping for export sales to North Africa to approach 5.5 MMT. In the summer, French shipments started brightly to Egypt, but the rise of the Euro against the US Dollar has shifted competitiveness towards Argentine wheat. The Euro exchange rate is viewed as key by some French traders, as well as a source of concern. Without export subsidies, exports may be increasingly difficult to realise through the balance of the 04/05 Marketing Year. Should exports decline from the expected pace, then stocks would be increased correspondingly.

In October, a deal to ship 700,000 MT of wheat to China was announced, with hopes in France that another 700,000 to 1 MMT further orders maybe obtained this campaign.

The UK has up to 3 MMT of feed wheat available for export, with possible markets in France, Spain, Germany and perhaps a little to North Africa.

With a substantial increase in the EU's intervention stocks expected during MY 04/05, the Commission's intervention policy could make its way onto the political agenda at some point in the future. While, the medium term future of intervention (and hence a guaranteed

minimum price) is not in doubt, small changes to either intervention criteria or intervention prices could help to reduce its importance³.

Stocks

With wheat exports pegged at 15.68 MMT, a substantial surplus is likely to end as stocks, with EU-25 wide wheat stocks doubling from 11 MMT to 22 MMT. EU intervention stocks in particular will be rebuilt. During November, the first month that EU intervention stores have been open for the 04/05 season, 2.227 MMT wheat has already been offered to intervention.

The Polish intervention agency expects around 800,000 MT of grains to be offered into intervention in MY 0/05, of which 90% would be wheat. With the grain market currently quiet in Poland, and only around 50% of this volume currently contracted, it is currently difficult to estimate final intervention stocks. A further 1 to 1.5 MMT of wheat is expected to be offered to intervention in Germany.

³ The 2003 CAP Reform sets up a system of (largely) decoupled direct income payments to farmers. In this context, border protection, export subsidies, guaranteed minimum prices and intervention might seem anachronistic. Intervention is expected to be phased out for sugar in the next few years (though intervention was only ever a theoretical possibility) and has been limited for the rice sector by the 2003 reform. However, attempts by the European Commission to lower intervention prices for cereals in 2003 were strongly rejected by Member States, France in particular. The Commission did however succeed in getting intervention for rye scrapped, as well as lowering the monthly increments to the intervention price.

Barley

PSD Table EU-25, Wheat

Country Commodity	EU-25 Barley				(1000 HA)(1000 MT)	
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin	07/2002		07/2003		07/2004	
Area Harvested	13416	13418	13425	13438	13668	13087
Beginning Stocks	9121	9170	7362	7606	5474	5252
Production	56391	56408	54803	54718	60571	62066
TOTAL Mkt. Yr. Imports	1329	1302	815	788	351	345
Oct-Sep Imports	1329	1329	815	815	351	351
Oct-Sep Import U.S.	14	14	20	20	50	50
TOTAL SUPPLY	66841	66880	62980	63112	66396	67663
TOTAL Mkt. Yr. Exports	4926	4938	2894	2929	3817	2421
Oct-Sep Exports	5108	5108	2894	2894	3817	2421
Feed Dom. Consumption	38134	38123	39126	40090	40117	37684
TOTAL Dom. Consumption	54553	54336	54612	54931	55219	53081
Ending Stocks	7362	7606	5474	5252	7360	12161
TOTAL DISTRIBUTION	66841	66880	62980	63112	66396	67663

Note: All values in 1000 MT, except Area Harvested row in 1000 HA.

Source: FAS EU Posts, not official FAS data.

Production

In France, a record crop of 11.2 MMT was also combined with generally good to high quality. Around 30% of French output is malting barley, compared to typically 15% to 20%. Barley output rose by 1 MMT in Poland, seeing production return to more usual levels following last year's weather affected crop.

Across northern Europe, the 2005 barley crop looks to be in decent condition, with no major changes to crop areas expected. French barley area is expected to decline marginally.

Barley Production

1000 MT	04/05
France	11200
Germany	12967
United Kingdom	5860
Italy	1139
Spain	10800
Netherlands	297
Austria	880
Belgium-Luxembourg	355
Denmark	3794
Finland	1800
Greece	300
Ireland	1184
Portugal	14
Sweden	1850
EU15 Total	52,440
Cyprus	90
Czech R.	2367
Estonia	280
Hungary	1400
Latvia	269
Lithuania	670
Malta	3
Poland	3510
Slovakia	984
Slovenia	53
NMS 10 total	9,626
EU-25 Total	62,066

Source: FAS EU Posts.

Consumption

In the Benelux, as well as the UK, feed use of barley has declined due to competition from feed wheat. In Germany, feed use of barley is expected to decline by around 2 MMT during MY 04/05, due to competition from feed wheat, rye and triticale. In addition, the good quality of feed barley ensures that most of the crop meets intervention criteria. Also, a bigger and better forage output competes favourably with grain for feed use.

In France too, barley is not competitive as feed, though due to the high levels of on farm feed use of barley in France, feed use is likely to decline by just 0.5 MMT to 3.5 MMT during MY 04/05.

Over the medium term, EU-15 malting capacity is expected by some commentators to rise by perhaps 400,000 MT to 8 MMT, with increased exports of malt. In the Netherlands, a new plant with capacity for around 165,000 MT is due to become fully operational by 2005/06. Other operators have talked of a gradual shift in malting capacity over the coming years from Western Europe towards Eastern Europe, particularly with a continued malt deficit in eastern Europe as well as strong demand in Russia. Two UK malting plants may suspend operations later this year. It should be noted that EU wide, beer consumption has been on a long term declining trend.

Trade

EU-25 export estimates of 2.337 MMT are based on a continued cautious export subsidy program from the European Commission. Should strong international demand for EU barley materialise, or with higher levels of export subsidies, EU exports during MY 04/05 could rise towards 3 MMT, given the availability of EU barley, currently slated to go into intervention stocks in this forecast.

Both German barley imports and exports are expected to decline. The former due to the availability of plenty of domestic feed grains and reasonable quality malting barley, the latter due to other countries being more competitive in key markets. German barley exports are thus revised down from around 2.0 MMT to 1.3 MMT for MY 04/05. However, the competitiveness of German barley in the Middle East is not yet clear. With strong demand from this region and weak German prices, then the 1.3 MMT could be the low range of German export estimates.

For French feed barley surpluses to be exported to the Middle East, a good level of export subsidy would be needed. Without this, French barley stocks are expected to rise by 1.2 MMT of which around 1 MMT would be to intervention.

Stocks

With reduced feed demand and if EU barley is not particularly competitive on international markets, then stocks could rise during MY 04/05 from 5.3 MMT to 12.2 MMT. Up to 4 MMT of barley could end up in intervention in Germany alone, with 1 MMT having been offered during the first month of intervention, November.

Corn

Country Commodity	EU-25 Corn				(1000 HA)(1000 MT)	
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin	10/2002		10/2003		10/2004	
Area Harvested	6006	6006	6036	6236	6307	6323
Beginning Stocks	4075	3807	4901	4593	3128	3190
Production	48202	48323	39158	39862	52072	52154
TOTAL Mkt. Yr. Imports	2731	4280	5048	5390	1578	2620
Oct-Sep Imports	2731	4280	5048	5390	1578	2620
Oct-Sep Import U.S.	47	45	23	25	19	24
TOTAL SUPPLY	55008	56410	49107	49845	56778	57964
TOTAL Mkt. Yr. Exports	831	2000	8	366	936	987
Oct-Sep Exports	831	2000	8	366	936	987
Feed Dom. Consumption	38486	38300	35210	35638	40182	40406
TOTAL Dom. Consumption	49276	49817	45971	46289	51609	51853
Ending Stocks	4901	4593	3128	3190	4233	5124
TOTAL DISTRIBUTION	55008	56410	49107	49845	56778	57964

Note: All values in 1000 MT, except Area Harvested row in 1000 HA.

Source: FAS EU Posts, not official FAS data.

Production

The EU-25 production forecast is revised up marginally to 52.154 MMT (from 52.07 MMT predicted earlier this year), including a record 4 MMT crop in Germany and 8 MMT in Hungary. The French harvest of 15.5 MMT was a return to average yields after last years drought ravaged crop. Some late rains reduced yields to average levels after an initially brighter outlook. The Italian crop of 10.9 MMT was a record crop. Despite the use of late varieties due to delays in planting, which normally give lower yields, conditions turned out very good to give average yields.

The Polish crop of 2.4 MMT was also a record harvest, though it was generally of rather poor quality due to being wet so may be used as silage.

Corn Production

1000 MT	04/05
France	16750
Germany	4014
United Kingdom	0
Italy	10900
Spain	4700
Netherlands	193
Austria	1600
Belgium-Luxembourg	650
Denmark	0
Finland	0
Greece	1700
Ireland	0
Portugal	784
Sweden	0
EU15 Total	40,041
Cyprus	0
Czech R.	538
Estonia	0
Hungary	8000
Latvia	0
Lithuania	0
Malta	0
Poland	2400
Slovakia	850
Slovenia	325
NMS 10 total	12,113
EU-25 Total	52,154

Source: FAS EU Posts.

Consumption

In the Benelux, corn feed use is reported to be close to technical limits, with corn feed use predicted to rise by 230,000 MT since MY 03/04. However, should the price of corn drift up relative to other feed ingredients, then feed use levels may decline. Poultry stocks have also recovered from last years avian influenza outbreak, ensuring continued corn demand. With widespread domestic availability of corn.

Over 90% of Italian corn goes to feed use. With poultry production having recovered from a previous dip, demand for corn remains good.

In Poland, the large crop and its poor quality have seen corn prices fall to at or below the level of feed wheat. It is mainly used for poultry feed and poultry feed production. Some minimal quantities could even end up in ethanol production or in intervention. There is no trade expected for corn in Poland, unless Hungarian corn prices fall to very low levels.

Trade

With a banner Italian harvest, only a few imports are expected from France, as well as no sorghum and minimal NGFI such as corn gluten feed and distillers dried grain imports expected.

There is a substantial exportable surplus of corn available in Hungary, however, it is difficult to predict what might happen to this as not only are there limits to the storage capacity available in Hungary, but also there is little in the way of cheap, bulk transport infrastructure to bring the grain to market elsewhere. Some trade may develop in the new year with corn being shipped by barge up the Danube to Benelux and northern Germany.

Stocks

Some corn may end up in intervention stocks, including in France (for the first time since 1997), Germany and Hungary. In these two first countries, 200,000 MT each could easily end up in intervention. However, German deliveries into intervention will be limited as there is just one corn intervention centre in the country. How much will end up in Hungarian intervention stores is difficult to assess, the above forecast of MY 04/05 ending stocks of 5.1 MMT is based on up to 1 MMT of Hungarian corn in intervention.

Rye

Country Commodity	EU-25		Rye		(1000 HA)(1000 MT)	
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin	07/2002		07/2003		07/2004	
Area Harvested	2882	2884	2569	2570	2738	2788
Beginning Stocks	6514	6514	6125	6170	3654	3986
Production	9168	9170	6920	6904	8784	9956
TOTAL Mkt. Yr. Imports	491	443	308	162	127	39
Oct-Sep Imports	549	443	25	162	127	39
Oct-Sep Import U.S.	0	1	0	1	0	0
TOTAL SUPPLY	16173	16127	13353	13236	12565	13981
TOTAL Mkt. Yr. Exports	640	698	421	512	575	435
Oct-Sep Exports	698	698	421	512	575	435
Feed Dom. Consumption	5063	5072	5073	4262	4714	4951
TOTAL Dom. Consumption	9408	9259	9278	8738	9109	9745
Ending Stocks	6125	6170	3654	3986	2881	3801
TOTAL DISTRIBUTION	16173	16127	13353	13236	12565	13981

Note: All values in 1000 MT, except Area Harvested row in 1000 HA.

Source: FAS EU Posts, not official FAS data.

EU rye production recovered from the drought affected MY 03/04 to rise to just under 10 MMT. German rye area and yields increased noticeably in 2004 to give a MY 04/05 production of 3.809 MMT. Poland, the other key EU rye producer's output is estimated at 4.22 MMT for MY 04/05.

The German area expansion was in part due to the fact that there was hardly any winterkill in 2004 compared to 2003. Often farmers in the northern and eastern parts of Germany do not have any other option than planting rye in their marginal fields. However, the construction of three ethanol plants, which use rye and wheat as a feedstock, spurred the planting of rye in northern Germany. The total annual processing capacity of these plants is estimated at 1.2 MMT of grains. Of this, up to around 300.000 MT of rye could be distilled to bioethanol.

Currently, prices offered to farmers for rye in the northeast of Germany range between 60 and 70 Euro per ton. However, traders do not expect that much volume will be traded at this low price level. Farmers will store away the rye to wait for higher prices later in the season. More realistic prices are in the neighborhood of 80 Euro per ton.

Grain production experts foresee that farmers in the northeast will in the coming years increasingly switch to low-input production methods for rye. Traditional high-intensity production will no longer be competitive with prices below 80 Euro per ton. Setting aside grain area may also not a viable option depending on how new cross compliance rules are framed. Farmers will only be allowed to plant certain approved cover crops, in order to prevent mineralization and penetration of nitrogen into groundwater. Low-intensity rye production might have similar production cost as cross-compliant set-aside area.

The EU opened a rye export tender during MY 04/05 of one million metric tons out of intervention storage. Targeted customer regions are the Far East and Russia. Total German exports are expected to reach 800,000 MT thereof 400,000 MT to non-EU countries.

Sorghum

Country Commodity	EU-25 Sorghum				(1000 HA)(1000 MT)	
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin	07/2002		07/2003		07/2004	
Area Harvested	113	113	103	103	107	86
Beginning Stocks	24	24	57	57	25	23
Production	706	706	408	412	608	486
TOTAL Mkt. Yr. Imports	34	15	1555	1344	125	235
Oct-Sep Imports	34	15	1555	1344	125	235
Oct-Sep Import U.S.			962	935	0	121
TOTAL SUPPLY	764	745	2020	1813	758	744
TOTAL Mkt. Yr. Exports	2	2	13	7	5	5
Oct-Sep Exports	5	2	13	7	5	5
Feed Dom. Consumption	690	686	1960	1762	687	687
TOTAL Dom. Consumption	705	686	1982	1783	702	711
Ending Stocks	57	57	25	23	51	28
TOTAL DISTRIBUTION	764	745	2020	1813	758	744

Note: All values in 1000 MT, except Area Harvested row in 1000 HA.

Source: FAS EU Posts, not official FAS data.

Oats

Country Commodity	EU-25				(1000 HA)(1000 MT)	
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin	07/2002		07/2003		07/2004	
Area Harvested	2990	2998	2903	2902	2842	2763
Beginning Stocks	886	886	965	963	988	928
Production	9331	9361	8666	8702	8774	8962
TOTAL Mkt. Yr. Imports	7	8	15	6	8	0
Oct-Sep Imports	10	8	25	6	8	0
Oct-Sep U.S.	0	0	0	0	0	0
TOTAL SUPPLY	10224	10255	9646	9671	9770	9890
TOTAL Mkt. Yr. Exports	903	904	375	576	566	405
Oct-Sep Exports	908	904	375	576	566	405
Feed Dom. Consumption	6748	6848	6726	6535	6686	6689
TOTAL Dom. Consumption	8356	8388	8283	8167	8241	8298
Ending Stocks	965	963	988	928	963	1187
TOTAL DISTRIBUTION	10224	10255	9646	9671	9770	9890

Note: All values in 1000 MT, except Area Harvested row in 1000 HA.

Source: FAS EU Posts, not official FAS data.

Mixed Grain

Country Commodity	EU-25 Mixed Grain				(1000 HA)(1000 MT)	
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin	07/2002		07/2003		07/2004	
Area Harvested	3703	3610	3839	3642	3734	3981
Beginning Stocks	1134	1134	818	813	467	286
Production	13435	13122	12178	11737	13283	15747
TOTAL Mkt. Yr. Imports	0	33	0	10	0	0
Oct-Sep Imports	0	33	0	10	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	14569	14289	12996	12560	13750	16033
TOTAL Mkt. Yr. Exports	17	18	0	0	0	0
Oct-Sep Exports	17	18	0	0	0	0
Feed Dom. Consumption	13009	12846	11832	11597	12093	13910
TOTAL Dom. Consumption	13734	13458	12529	12274	12863	14597
Ending Stocks	818	813	467	286	887	1436
TOTAL DISTRIBUTION	14569	14289	12996	12560	13750	16033

Note: All values in 1000 MT, except Area Harvested row in 1000 HA.

Source: FAS EU Posts, not official FAS data.

There was a substantial rise in mixed grain production in the EU-25, from 11.7 MMT in 03/04 to 15.7 MMT in MY 04/05. This reflects not only the recovery from the drought hit 2003 crop, but also, the early 2003 harvest enabled increased plantings of triticale and other mixed grains in France as a winter crop, giving higher yields.

The higher production is set to be reflected in higher feed use. It is used mostly as on farm feed, though increasingly it is being used in compound feed production. For example, in France, 40% of mixed grain is now used in compound feed. Triticale, which accounts for around one third of German mixed grain output, is currently around 3 Euros more expensive than rye. However, it is preferred due to it being perceived as having better nutritional values.

The increase in stocks is on farm stocks held.

Related USEU and European Reports

Oct 27 2004 | Czech Republic | Crop Update

Highlight: The Czech Ministry of Agriculture raised its preliminary estimate for the Czech 2004 grain crop to 8.5 million MT (compared to the previous estimate of 8.16 million MT). Grain quality is lower due to low protein content. Wheat production returned to normal at 4.8 million MT, an 83.7% increase compared to the previous year. **EZ4024** | [View the Acrobat version](#) | [Download the MS Word version](#)

Oct 22 2004 | Austria | Crop Update

Highlight: In 2004, Austrian grain production (excluding corn) amounted to 3.4 million MT. This is up 32% compared to last year. Wheat production amounted to 1.7 million MT, rye production totaled 213,500 MT, spring barley totaled 551,500 MT, and winter barley reached 455,200 MT. Corn production is expected to reach 1.6 million MT due to a 10% larger acreage.

AU4028 | [View the Acrobat version](#) | [Download the MS Word version](#)

Oct 8 2004 | Germany | German Grain Crop 2004 - 2nd Official Estimate

Highlight: The German grain crop has been revised upward by another 740,000 tons to 50.8MMT, which resembles a new record crop. The EU intervention prices set the price floor for barley and regular baking wheat. High quality wheat varieties receive price premiums due to quality problems in Great Britain and some Mediterranean regions.

GM4037 | [View the Acrobat version](#) | [Download the MS Word version](#)

Oct 7 2004 | Spain | Spain's Sorghum Import Quota

Highlight: For the first time in recent history since the 1996 Spain could start its calendar year sorghum quota year without any Roll-over.

SP4021 | [View the Acrobat version](#) | [Download the MS Word version](#)

Oct 6 2004 | Poland | Grain Update

Highlight: The latest official estimates confirm new record level 2004 grain production in Poland. The official crop estimates are within the range of 1-2 MMT higher than the official July estimates and about one MMT higher than previous FAS Warsaw estimates.

PL4033 | [View the Acrobat version](#) | [Download the MS Word version](#)

Sep 21 2004 | Germany | German Grain Harvest 2004

Highlight: The German grain harvest 2004 broke a new record amounting to 50.1 MMT compared to 39.4 MMT in drought stricken year 2003 and the six year average of 44.5 MMT. Grain quality is good. Prices have already dropped significantly compared to one year ago. The intervention price will set the floor price for baking wheat, barley and corn. Rye prices are no longer supported by the EU intervention system. The plentiful crop may result in intervention purchases of about five million tons of barley and one million ton of baking wheat. In MY 2004/05, three new ethanol plants processing grains will come into operation with a total annual processing capacity of 1.2 MMT.

GM4032 | [View the Acrobat version](#) | [Download the MS Word version](#)

Sep 3 2004 | Hungary | Crop Situation Update

Highlight: Hungary's wheat, barley, triticale, rye and oats harvest amounted to 8 million metric tons (MMT) this year. Wheat quality is excellent with approximately 75 to 80 percent of milling quality. Hungarian wheat will be competitive with U.S. and Canadian wheat in other EU markets, particularly in Italy, Austria and Germany. The spring barley crop is also of good quality with 350,000 MT going to malting. The corn crop appears good and is forecasted to be at a record 7.6 MMT.

HU4015 | [View the Acrobat version](#) | [Download the MS Word version](#)

Sep 2 2004 | Czech Republic | Crop Situation Update

Highlight: The Czech Ministry of Agriculture forecasts this year's grain production to be slightly above average at around 8 million MT (this compares to last year's below-average production of 5.7 million MT). Yields will be above average. Grain and oilseed quality will be good except for low protein content. Due to cold weather in the spring, corn planting was delayed. Although yield is expected to be good, harvested area will be somewhat smaller than planted area, and corn will be imported from Hungary. Most Czech grains will be sold at EU intervention prices in the fall.

EZ4020 | [View the Acrobat version](#) | [Download the MS Word version](#)

Aug 27 2004 | Portugal | Voluntary

Highlight: The Canadian Wheat Board (CWB) appears to have seized the market for high-quality milling wheat in Portugal. 1 USD = 0.80 €

PO4013 | [View the Acrobat version](#) | [Download the MS Word version](#)

Aug 17 2004 | Poland | Grain Production and Use Up in Poland

Highlight: A near record grain crop, 4.5 MMT larger than in 2003, has created fear among farmers that they will face severe marketing problems immediately after harvest. At the same time increased profits for livestock resulting from increased demand following Poland's May 1, 2004 EU accession will result in larger than previously estimated grain feed use.

PL4027 | [View the Acrobat version](#) | [Download the MS Word version](#)

Jul 29 2004 | Slovakia | Crop Situation Update

Highlight: Total grain production is estimated to be at around 2.9 million MT in 2004, up by 54 percent compared to last year. Due to this year's favorable weather, average yields are expected to be higher for all commodities. Almost 50 percent of grain production is used as feed; 28 percent goes to food use; 16 percent goes to exports. In 2005, malt, wheat, and cornstarch exports are expected to increase.

LO4012 | [View the Acrobat version](#) | [Download the MS Word version](#)

Jun 24 2004 | Hungary | Pre-harvest Grain Prospects

Highlight: Hungary's wheat crop is expected to be 1.5 million MT above the 2003 harvest. At present, the barley crop is expected to be above 1.1 million MT. High wheat crop forecasts in Europe, financing, and storage limitations may aggravate crop handling. Trade sources expect increased wheat exports to other EU countries, as well as to third countries.

HU4013 | [View the Acrobat version](#) | [Download the MS Word version](#)

Jun 14 2004 | Spain | New Crop

Highlight: Wet and relatively cool weather conditions, prevalent throughout most of Peninsular Spain since late March, have substantially improved prospects for the winter grain crop. Harvesting has begun in southern areas and good yields are reported. Prices for grains are declining dramatically and a higher use of grain in feed formulas is expected in MY 2004/05.

SP4014 | [View the Acrobat version](#) | [Download the MS Word version](#)

May 11 2004 | Poland | Annual

Highlight: Polish MY 2004/05 grain production is expected to rise 12 percent due to much improved weather conditions compared to MY 2003/04 weather related losses. MY 04/05 imports are expected to decline due to reduced swine production, stocks will be replenished, and exports will be negligible. Poland joined the EU on May 1, 2004. It is undergoing a policy transition period, but farmer incomes are generally expected to rise. Poland is now in an internal EU-25 market. It will implement EU consistent third-country grain trade policy including elimination of weed seed zero tolerance trade constraints.

PL4011 | [View the Acrobat version](#) | [Download the MS Word version](#)